STATE OF MONTANA

DEPARTMENT OF COMMUNITY AFFAIRS

REPORT ON EXAMINATION OF FINANCIAL STATEMENTS

Conducted Under Contract By
Douglas Wilson & Company,
Certified Public Accountants

Fiscal Year ended June 30, 1979

OFFICE OF THE LEGISLATIVE AUDITOR
STATE OF MONTANA
STATE CAPITOL • HELENA

STATE OF MONTANA

DEPARTMENT OF COMMUNITY AFFAIRS

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Fiscal Year ended June 30, 1979

STATE OF MONTANA

Office of the Legislative Auditor

STATE CAPITOL
HELENA, MONTANA 59601
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November 1979

The Legislative Audit Committee
of the Montana State Legislature:

Transmitted herewith is the report on the audit of the Department of Community Affairs for the year ended June 30, 1979.

The audit was conducted by Douglas Wilson and Company, C.P.A.s, under a contract between the firm and our office. The comments and recommendations contained in this report represent the views of the firm and not necessarily the Legislative Auditor.

The agency's written response to the report recommendations is included in the back of the audit report.

Respectfully submitted,

Morris L. Brusett

Morris L. Brusett, C.P.A.
Legislative Auditor

MLB/jp

Enclosure

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APPOINTED AND ADMINISTRATIVE OFFICIALS

BOARD OF AERONAUTICS

		Term Expires
Richard O'Brien, Chairman	Conrad	1/1/83
William A. Merrick	Bozeman	1/5/81
A. J. Patenaude	Red Lodge	1/1/83
Bruce Vanica	Billings	1/1/83
Herb Sammons	Cut Bank	1/5/81
Merle Thorstad	Lloyd	1/5/81
Charles Marshall	Lewistown	1/5/81

COAL BOARD

Jack E. Cohn, Chairman	Helena	1/1/83
Paul Palm	Hardin	1/1/83
Eugene J. Schuld	Circle	1/5/81
Veronica Sullivan	Butte	1/5/81
William J. Meisburger	Forsyth	1/5/81
B. J. Goodheart	Malta	1/5/81
Henry Siderius	Kalispell	1/1/83

COUNTY PRINTING BOARD

Wayne Croskrey, Chairman	Great Falls	4/1/81
George Nicholas	Fort Peck	4/1/81
Pierre E. Peres	Fort Benton	4/1/81
Frank Burke	Glendive	4/1/81
Frank Waldbillig, Jr.	Philipsburg	4/1/81

ADMINISTRATION

Harold A. Fryslie, Director

SUMMARY OF RECOMMENDATIONS

As a separate section in the front of each audit report, we include a listing of all recommendations together with a notation as to whether the agency concurs or does not concur with the recommendation. This listing serves as a means of summarizing the recommendations contained in the report and the audited agency's reply thereto and also as a ready reference to the supporting comments. The full reply of the Department of Community Affairs is included in the back of this report.

	Page
Make independent entries to SBAS and hand posted detail ledgers for all accounts receivable and reconcile subsidiary balances to SBAS control accounts.	10
Agency Reply: Concur. See page 42.	
Separate billing and collection functions for all accounts and use pre-numbered invoices and receipts.	10
Agency Reply: Concur. See page 42.	
Discontinue use of duplicate subsidiary ledgers and eliminate the time and expense of photocopying bills and checks.	10
Agency Reply: Concur. See page 42.	
Write off and turn over to the Department of Revenue all accounts over one year old.	10
Agency Reply: Concur. See page 42.	
Review the application procedures for airport loans to assure proper and timely authorization is on file.	12
Agency Reply: Concur. See page 42.	
Establish a review procedure by the Aeronautics Division, Centralized Services and Department of Administration Accounting Division which will assure that all accrual requests are valid obligations of the fiscal period.	12
Agency Reply: Concur. See page 43.	
Request the Department of Administration Accounting Division establish a Deferred Notes Receivable Account, a Reserve for Deferred Notes Receivable Account and a Subsidiary Detail Ledger to properly record the airport notes receivable.	12
Agency Reply: Concur. See page 43.	

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Develop a travel advance request form with a statement of obligation to be signed by the employee. 13

Agency Reply: Concur. See page 43.

Make permanent travel advances to employees with high travel requirements and record such advances on SBAS in the employee travel advance account. 13

Agency Reply: Do not concur. See page 43.

Use the contingency revolving fund only for emergencies and pay all routine travel claims on SBAS transfer warrant claims so they are properly recorded on program expenditure reports. 13

Agency Reply: Do not concur. See page 43.

Assure implementation of the Property Accounting and Management System on the anticipated time schedule. 14

Agency Reply: Concur. See page 44.

Computerize the HUD Section 8 Landlord Ledgers. 15

Agency Reply: Concur. See page 44.

Establish applicable federal budgets on continuing responsibility centers. 15

Agency Reply: Concur. See page 44.

Develop a uniform federal grant procedure for SBAS "in put" and have the documents prepared at program sources. 15

Agency Reply: Concur. See page 44.

Review the use of distributive vouchers and journal vouchers and use them only for the applicable transactions. 15

Agency Reply: Concur. See page 44.

Obtain approval before the purchase and utilize a requisition approved by the appropriate program administrator or manager to authorize the purchase of any non-routine item. 16

Agency Reply: Concur. See page 44.

Record on SBAS obligations as well as payments of local impact funds in a timely manner. 17

Agency Reply: Do not concur. See page 45.

Establish an audit schedule for local impact coal board grants. 17

Agency Reply: Concur. See page 45.

Page

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Agency Reply: Concur. See page 45.

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We recommend that the Department seek legislative authority to either increase their staff, increase the charges for their services or give the Division the authority to contract directly for independent audits. 18

Agency Reply: Concur. See page 45.

Seek legislation to relieve the Aeronautics Division of the aircraft registration responsibility. 18

Agency Reply: Do not concur. See page 45.

Make certain minutes of Board of Aeronautics meetings are signed immediately after approval at each meeting. 18

Agency Reply: Concur. See page 46.

Seek a legislative appropriation as provided in Section 67-2-203, 1978, Codes of Montana, to repay the loan to the ear marked revenue fund. 19

Agency Reply: Concur. See page 46.

Initiate a procedure to require signature authorization for all flights. 20

Agency Reply: Concur. See page 46.

Certified Public Accountants

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The Legislative Audit Committee
of the Montana State Legislature:

We have examined the balance sheets of the various funds of the Department of Community Affairs for the year ended June 30, 1979, and the related statements of revenue compared to revenue estimates, expenditures compared to appropriations, expenditures by object and changes in fund balance for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As described on page 13 of this report, the condition of the Department's accounting records relating to fixed assets were such that we were unable to perform certain auditing tests and procedures which we deemed necessary to comply with generally accepted auditing standards. Subsidiary records for land, buildings and equipment are not maintained. Accordingly, a statement of fixed assets required by generally accepted accounting principles is not included in the financial statements.

The notes receivable on airport loans in the accompanying financial statements is understated by $36,000. This is discussed in detail in Note 6 to the financial statements.

The accrued liability for 12 airport loans amounts to $281,045 in the accompanying financial statements. In our opinion, there is sufficient

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Established 1913

documentation to substantiate the accrual of only two loans totaling $72,625 at June 30, 1979. The details are discussed in Note 8 to the financial statements.

In our opinion, because of the material effect on the financial statements of the items discussed in the three preceding paragraphs, the aforementioned financial statements do not present fairly the financial position of the various funds of the Department of Community Affairs as of June 30, 1979, or the results of its operations or changes in its financial position for the year then ended, in conformity with generally accepted accounting principles.

Douglas Wilson & Company

Certified Public Accountants

Great Falls, Montana
November 13, 1979

GENERAL COMMENTS REGARDING ORGANIZATION AND OPERATIONS

INTRODUCTION

The Department of Community Affairs was created by Executive Order of the Governor on September 30, 1972, under authority of the Executive Reorganization Act of 1971. It was originally titled the "Department of Intergovernmental Relations" and was renamed the "Department of Community Affairs" in 1975. The establishment of the Department brought together under a single head a number of diverse and formerly autonomous units of government whose common bond was that each dealt extensively with local governments, the federal government or both.

The Department is headed by a director who is appointed by and serves at the pleasure of the Governor. The administrative structure during fiscal year 1979 included seven divisions with two units and three boards attached for administrative purposes. A brief description of the divisions, units and boards and the functions assigned to each is contained in the following paragraphs.

AERONAUTICS DIVISION

The Aeronautics Division is generally responsible for promoting and assisting in the development of aeronautics in the state. Specific duties include the licensing of all pilots and aircraft operating in the state and enforcing the requirements for liability insurance for commercial carriers. They also supervise and promote pilot training programs and other educational programs related to aviation as well as coordinating search efforts for missing aircraft. They operate and maintain 11 state-owned airports and numerous light and signal beacons and administer a grant and loan program to make available state funds to help build or improve airport facilities. In 1979 this division also operated the state aircraft pool which provides air transportation on a cost recovery basis for state officials and employees.

HIGHWAY SAFETY DIVISION

The Highway Safety Division has been authorized by the Governor to represent his office and the state in all matters pertaining to highway safety. The division is funded primarily by Federal Department of Transportation monies, most of which "pass through" to local government units for safety projects. Seventy percent of the funds are spent for programs of education and research which are aimed at reducing the accident rates, severity of accidents and accident fatality rates on the state's highways. The remaining 30 percent of the available funds are used to purchase capital items such as radar units, ambulances or radio equipment or for engineering projects.

HUMAN RESOURCES DIVISION (remained Community Services Division in July, 1979)

The Human Resources Division administers the state laws and the federal funds available to the state to provide economic opportunity for the low-income and minority population. The division acts as an advocate for the poor on the state level and assists local community action agencies with development of social action projects which will increase citizen participation in the decision-making processes of state and local governments. In 1979 the major portion of the funding was for programs to train youth and unemployed persons, to assist migrant workers in the state and to assist the low-income population with energy conservation and energy related problems.

LOCAL GOVERNMENT SERVICES DIVISION

The Local Government Services Division provides services to local government units in the areas of accounting, auditing, systems development, procurement and financial management. Primary emphasis in the past few years has been the development and implementation of the Budgeting, Accounting and Reporting Systems for cities, towns and county governments. One bureau of the division provides audit services to local government units including school districts, fire and irrigation districts.

Part of that function is supervision of audits performed by CPA firms.

PLANNING DIVISION (renamed Community Development Division in July, 1979)

The Planning Division is charged with promoting community development by providing to local governments financial and technical assistance in areas of planning, housing needs, zoning and sub-division regulation. The division also administers programs funded by the Urban Mass Transit Administration to provide better public transportation. Federal Housing and Urban Development programs administered by the division include the Section 8 Rent Subsidy program for existing housing and Section 701 planning funds which are available to help community planning boards and to generally improve the quality of housing in the state.

RESEARCH AND INFORMATION SYSTEMS DIVISION

The Research and Information Systems Division is the primary research and statistical agency in Montana state government and has been designated as the state Data Center to receive and disseminate data from the Federal Census Bureau. The divison publishes studies, statistical reports and research reports and distributes them to local governments, state agencies or the general public free of charge or for a cost recovery fee. They also contract with other agencies for statistical and research programs. The division promotes statewide economic development and planning and works to attract new industries to Montana and to expand existing industries. In addition, the division maintains various in-house computer files for employee annual leave and sick leave, pay history, employee data and equipment inventory.

CENTRALIZED SERVICES DIVISION

As part of the Executive Reorganization, each department of state government established a Centralized Services Division. It is the division's responsibility to provide accounting, payroll, purchasing and other internal services to the other

divisions. Other services include auditing some federal program grants at the local government level and providing technical assistance to grantees in accounting. The department director's staff and staff attorney are also budgeted under the Centralized Services Division.

COAL UNIT

The Department was assigned the responsibility for providing staff and office space for the Coal Board. The Coal Unit assists local governments with application procedures for coal impact grants, monitors the progress of on-going projects and assures payments to grantees. The staff also provides research and administrative functions for the lay board.

INDIAN AFFAIRS UNIT

The Indian Affairs Unit develops and promotes programs to aid the Indian population in Montana especially to improve their general economic condition. The unit serves as advisor to and liaison for Indian people with state government agencies.

BOARD OF AERONAUTICS

The Board of Aeronautics grants certificates of need which allow air carriers to provide services in Montana. They also act as advisor to the Aeronautic Division on matters pertaining to aircraft use in the state and represent the population concerned with air transportation.

BOARD OF COUNTY PRINTING

The Board of County Printing meets annually to set maximum rates and necessary standards for printed matter used by county governments. They also are responsible for publishing the rates and standards and distributing them to the counties. The board held its 1978 meeting prior to July 1, 1978, and the 1979 meeting after June 30, 1979. Therefore, they recorded no expenditure or activity in the fiscal 1979 period.

COAL BOARD

The Coal Board is a seven-member lay board whose responsibility is to review applications and award grants from the Local Impact Fund of the Coal Severence Tax. Grants are made to local government units to assist in lessening the impact of coal development in areas of human services and community development. The Board is attached to the Department for administrative purposes only and the Coal Unit provides the necessary services.

COMMENTS

INTRODUCTION

The primary purpose of our examination of the financial statements of the various funds of the Department of Community Affairs for the fiscal year ended June 30, 1979, was to enable us to form an opinion as to the financial position of the various funds at June 30, 1979, and the results of operations of such funds for the year then ended, and to test for compliance with state and federal laws applicable to the agency.

We reviewed and tested the agency's system of internal accounting control to the extent considered necessary for expressing an opinion on the financial statements. Our review would not necessarily disclose all weaknesses in the system. However, we noted certain areas where financial matters should be considered, accounting procedures improved and internal control strengthened. The following summarizes our comments and recommendations.

GENERAL ACCOUNTING PROCEDURES

The Department maintains its basic accounting records on the Statewide Budgeting and Accounting System; and except for the instances discussed in this report, it has established no unnecessary subsidiary recordkeeping systems. In the prior audit period, there was some question as to whether the system was being fully used; but with the implementation of the SBAS II revisions in 1979, there appears to be a better use of its capabilities. As the Centralized Service Staff and Department administrators become more familiar with the features of SBAS II and the kinds of information available, the management use of the system should improve. There are also indications that the Centralized Services Staff is working more closely with other divisions to better understand their need and to help those staff members understand SBAS.

As part of our review, we discussed the use of SBAS II with the administrators, and several of them expressed concern about the timeliness of the expenditure

information. It is at times as much as six weeks before a payroll charge or other financial transaction will be available to the users of the report. Part of the problem is the payroll system not being a part of SBAS. It is not possible to encumber payroll and reduce the encumbrance through the payroll system. Charges from the payroll system must be input to SBAS in a separate transaction. There is only limited capability to record receivables and payables on the system, and inter-agency charges for motor pool and communications charges are often two to three months late. These deficiencies in the system coupled with the numerous expenditure controls and limited authority to set staffing patterns seem to make it extremely difficult to manage an agency in a creative and efficient manner.

While we found general compliance with acceptable accounting procedures and required rules and regulations, our examination revealed the following weaknesses in the accounting procedures.

ACCOUNTS RECEIVABLE

The accounts receivable procedures had been the subject of several recommendations in the previous audit report. Considerable improvement was noted but we found some problem areas. There are three major accounts receivable files in the Department described as follows:

1. The Aeronautics Division charges for the state aircraft pool.
2. Local Government Services Division charges for local government audits.
3. Research and Information Division charges for publications and reports.

Centralized Services Division maintains a subsidiary detail on all three files, enters totals due on the SBAS general ledger and coordinates the billing and collection procedures. The procedure for the Flight Dispatch file is adequate; however, the same procedures are not being followed for the other two accounts. In both of these accounts, the SBAS control account is adjusted periodically by journal voucher to agree with the hand-posted subsidiary rather than charges and credits being

independently entered to SBAS and the detail ledger. The SBAS account does not by this procedure constitute a true control account. Our examination of the accounts indicates a discrepancy of $2,397.63 in the Air Transportation Pool file and $1,560.00 in the Local Government Audit account.

Included in the Air Transportation accounts receivable is an outstanding bill for air transportation services on June 25 and June 28, 1977, charged to the Governor's office. A no-warrant transfer for $802.50 was initiated by the Department and sent to the Governor's office on December 16, 1977. To date, the transaction has not been completed.

Problems noted in the File Management account included having the same person responsible for both billing and collection functions and the invoices were not prenumbered. Two sets of subsidiary ledgers are maintained, and copies are being made of every bill and check in the process of posting both records. Although an aged list of accounts is prepared monthly for the Research and Information staff, some 17 accounts, all dated prior to June 30, 1978, totaling $184.75, have not been written off.

RECOMMENDATIONS

WE RECOMMEND THAT THE DEPARTMENT:

1. MAKE INDEPENDENT ENTRIES TO SBAS AND HAND-POSTED DETAIL LEDGERS FOR ALL ACCOUNTS RECEIVABLE AND RECONCILE SUBSIDIARY BALANCES TO SBAS CONTROL ACCOUNTS MONTHLY.
2. SEPARATE BILLING AND COLLECTION FUNCTIONS FOR ALL ACCOUNTS AND USE PRENUMBERED INVOICES AND RECEIPTS.
3. DISCONTINUE USE OF DUPLICATE SUBSIDIARY LEDGERS AND ELIMINATE THE TIME AND EXPENSE OF PHOTOCOPYING BILLS AND CHECKS.
4. WRITE OFF AND TURN OVER TO THE DEPARTMENT OF REVENUE ALL ACCOUNTS OVER ONE YEAR OLD.

NOTES RECEIVABLE

The Aeronautics Division is authorized through legislative appropriation to make loans to local communities for airport development and improvements. The loans are usually used as a match for federal grants and are repaid with interest. In our review of the loan files, we found that 12 loan requests totaling $281,045.00 had been accrued at June 30, 1979. Only two of those projects totaling $72,625.00 had completed airport aid applications on file at June 30, 1979. Seven other project files totaling $200,020.00 had letters of request submitted by June 30, 1979. The other four loan requests totaling $8,400.00 contained no documentation, either a letter or an airport aid application. In addition, we found only three of the loans totaling $101,420.00 had received formal approval by the Aeronautics Division Administrator prior to June 30, 1979. Section 2-1420.20 of the Expenditure Accrual Chapter of the SBAS Manual states that "it is imperative that items accrued be valid obligations of the period for which the appropriation was made available for expenditure." In our opinion, a letter of request is not sufficient documentation to justify an accrual as a valid obligation. Therefore, we question the validity of the accrual of $208,420.00 in loans at June 30, 1979.

We also found the general ledger control account for airport loans receivable was incorrect. A loan made to the Glasgow airport on June 14, 1978, was not included in the June 30, 1979, balance and a $4,000 payment on the Roundup loan had not been credited to the account for a net difference of $36,000.00. At the present time SBAS does not have the capability to record notes receivable detail. Therefore, the Department has been keeping a hand-posted subsidiary detail ledger and adjusting the general ledger control account periodically to agree with the detail. This procedure does not correctly record the loans on SBAS and furthermore provides no control to reconcile the detail ledger. The Department of Administration Accounting Division has indicated that a modification will be

needed to properly book the loans and should be requested by the Department staff.

RECOMMENDATIONS

WE RECOMMEND THAT THE DEPARTMENT:

1. REVIEW THE APPLICATION PROCEDURES FOR AIRPORT LOANS TO ASSURE PROPER AND TIMELY AUTHORIZATION IS ON FILE.
2. ESTABLISH A REVIEW PROCEDURE BY THE AERONAUTICS DIVISION, CENTRALIZED SERVICES AND DEPARTMENT OF ADMINISTRATION ACCOUNTING DIVISION WHICH WILL ASSURE THAT ALL ACCRUAL REQUESTS ARE VALID OBLIGATIONS OF THE FISCAL PERIOD.
3. REQUEST THE DEPARTMENT OF ADMINISTRATION ACCOUNTING DIVISION ESTABLISH A DEFERRED NOTES RECEIVABLE ACCOUNT, A RESERVE FOR DEFERRED NOTES RECEIVABLE ACCOUNT AND A SUBSIDIARY DETAIL LEDGER TO PROPERLY RECORD THE AIRPORT NOTES RECEIVABLE.

CONTINGENCY REVOLVING FUND

For several years the Department has maintained a $12,500 contingency revolving fund at a local Helena bank. The account is used to make travel advances and pay travel claims for employees, consultants and advisory board members. Travel advances are usually made on a per-trip basis, and employees who are required to travel extensively are reimbursed for travel bi-weekly. Consequently, the account is replenished several times monthly. Although SBAS has a travel advance and reimbursement procedure, the Department personnel stated they did not use SBAS as employees feared their travel checks would be delayed, and it was easier to use the contingency revolving funds. It is our understanding that contingency revolving funds were established for the occasional true contingency such as a travel advance needed on short notice or to reimburse travel at times of unavoidable delay in the system. Previous audit reports have also questioned the extensive use of the fund by the Department. The procedure used by the Department requires unnecessary hand-posted

detail and does not properly record the employee liability for advances on SBAS. In addition, program administrators have no way to identify the individuals' travel charged to their budgets as all travel claims are made out to First Security Bank.

The procedure for requesting travel advances is confusing. The same form is used to request advances and to pay travel claims. At times, advances and reimbursement claims overlapped and must be carefully reviewed. The Department does not make permanent advances to employees required to travel continually nor to require an employee to sign a statement of obligation for advances.

RECOMMENDATIONS

WE RECOMMEND THAT THE DEPARTMENT:

1. DEVELOP A TRAVEL ADVANCE REQUEST FORM WITH A STATEMENT OF OBLIGATION TO BE SIGNED BY THE EMPLOYEE.
2. MAKE PERMANENT TRAVEL ADVANCES TO EMPLOYEES WITH HIGH TRAVEL REQUIREMENTS AND RECORD SUCH ADVANCES ON SBAS IN THE EMPLOYEE TRAVEL ADVANCE ACCOUNT.
3. USE THE CONTINGENCY REVOLVING FUND ONLY FOR EMERGENCIES AND PAY ALL ROUTINE TRAVEL CLAIMS ON SBAS TRANSFER WARRANT CLAIMS SO THEY ARE PROPERLY RECORDED ON PROGRAM EXPENDITURE REPORTS.

FIXED ASSET INVENTORY

There were several recommendations in the last audit report regarding fixed asset inventory and control. Since that report the Department has abandoned the "in-house" computer file for fixed assets. The report had not been updated; and since the department of Administration was developing an inventory system in conjunction with SBAS, they decided to wait until that system could be used.

At the time of our examination, a new physical inventory had been taken, and the cost records were nearly complete. The Department should be able to implement the Property Accounting and Management System within the next two or three months.

At that time they will have a complete record of all fixed assets over $200.00 in cost. The total inventory will be recorded on the general ledger and the system will assure an updating of the inventory records.

RECOMMENDATIONS

WE RECOMMEND THAT THE DEPARTMENT:

1. ASSURE IMPLEMENTATION OF THE PROPERTY ACCOUNTING AND MANAGEMENT SYSTEM ON THE ANTICIPATED TIME SCHEDULE.

FEDERAL PROGRAMS

A considerable portion of the funds accounted for by the Department are from various federal programs and "pass through" to local governments. It is the Department's responsibility to accurately record the disbursement of the funds and to make the required federal reports. In some instances, the federal requirements include supplemental information which cannot be recorded on SBAS and other recordkeeping systems have been developed. The HUD Section 8 rent subsidy program involves payments to approximately 1,200 landlords throughout the state. A subsidary program has been developed by the Research and Information Division to calculate the payments and "in put" is made to SBAS on magnetic tape saving many hours. The program, however, solves half of the problem as HUD also requires a cumulative record of the payments and certain statistical data. The volume of accounts and type of information needed readily lends itself to computer processing.

An additional problem with federal accounting is caused by the federal fiscal year. One modification in SBAS II allows the continuation of a responsibility center beyond the state fiscal year and thereby conforms to the federal period. This feature was not used in the Department records in 1979 but could be used for the 1980 federal grants.

Each of the various federal grant programs has its own set of criteria and

regulations for approving projects. There is, however, a basic procedure that begins with the receipt of the grant, the writing of sub-grants or contracts with local entities, a draw of the federal funds and payments to the sub-grantees. We suggest that the Centralized Services staff work with the Division staffs to prepare the Distribution Vouchers and Transfer Warrant Claims which make allocations and payments. These documents would be sent to Centralized Services for review and submission to the Department of Administration. At present, the Division personnel request allocations and payments by memo which could be eliminated.

RECOMMENDATIONS

WE RECOMMEND THAT THE DEPARTMENT:

1. COMPUTERIZE THE HUD SECTION 8 LANDLORD LEDGERS.
2. ESTABLISH APPLICABLE FEDERAL BUDGETS ON CONTINUING RESPONSIBILITY CENTERS.
3. DEVELOP A UNIFORM FEDERAL GRANT PROCEDURE FOR SBAS "IN PUT" AND HAVE THE DOCUMENTS PREPARED AT PROGRAM SOURCES.

DISTRIBUTIVE AND JOURNAL VOUCHERS

We found that Distribution Vouchers and Journal Vouchers had been used interchangably. The SBAS forms manual specifies that Distributive Vouchers are to be used to distribute or allocate revenue, expenditures or budget data. Journal Vouchers have traditionally been used to make corrections.

RECOMMENDATIONS

WE RECOMMEND THAT THE DEPARTMENT:

1. REVIEW THE USE OF DISTRIBUTIVE VOUCHERS AND JOURNAL VOUCHERS AND USE THEM ONLY FOR THE APPLICABLE TRANSACTIONS.

PURCHASING PROCEDURES

The Department purchasing function has been assigned to the Centralized Services Division. They maintain a central supply of items available to all

staff. Other items are ordered through the Centralized Services secretary or purchased locally. These orders are usually placed by telephone and subsequent charges to Division budgets are made when the bill is received. We are not aware of any place in the process which provides for approval by an individual responsible for the applicable program budget, and we feel this is a deficiency in the system.

RECOMMENDATIONS

WE RECOMMEND THAT THE DEPARTMENT:

1. OBTAIN APPROVAL BEFORE THE PURCHASE AND UTILIZE A REQUISITION APPROVED BY THE APPROPRIATE PROGRAM ADMINISTRATOR OR MANAGER TO AUTHORIZE THE PURCHASE OF ANY NON-ROUTINE ITEM.

COAL BOARD GRANTS

After the Coal Board approves grants to local communities from the Local Impact Fund, the Department is responsible for the accounting and payment procedures. The Department also provides to the board reports on the grant funds for each meeting. The Department maintains a hand-posted subsidiary detail ledger to record the grants and payment detail. Even though it is often several months before grant payments are made, the obligation is not recorded on SBAS unless it is still unpaid at fiscal year end. The accrued balance at June 30, 1979, appears to be correct; however, if a subsidiary detail ledger is not supported by a control account, there is always danger of misstatement. There is available an SBAS procedure whereby both the total and detail can be kept which would eliminate the need for further records.

Since its inception, the Coal Board has made grants to local communities of $18,301,461.68. As of June 30, 1979, actual cash payments of $15,267,310.00 have been made. According to the Coal Unit, none of the grants made have been audited. The contract form used by the Board specifies that the grants are subject to audit

and the language suggests the audits would be under the supervision of the Legislative Auditor.

RECOMMENDATIONS

WE RECOMMEND THAT THE DEPARTMENT:

1. RECORD ON SBAS OBLIGATIONS AND PAYMENTS OF LOCAL IMPACT FUNDS IN A TIMELY MANNER.

2. ESTABLISH AN AUDIT SCHEDULE FOR LOCAL IMPACT COAL BOARD GRANTS.

LOCAL GOVERNMENT AUDITS

In the 1976 audit of the Department, it was noted that the Local Government Services Division had not been complying with the statutory requirement to audit every local government unit, including school districts, annually. At that time the Department cited a shortage of staff as the primary cause for the deficiency; and noted that beginning July 1, 1976, local governments could request a contract with independent auditors. It was hoped the use of independent auditors would alleviate the problem. However, at the time of our audit, the Local Government Services Division reported the following number of entities whose FY1978 records had not been audited: 22 counties, 50 cities and towns, 2 city-county unifieds, 62 fire department relief associations, 96 rural fire departments, 38 irrigation districts and 2 school districts. The Division contracted for audits of 347 entities in FY1977 and for 264 entities in FY1978, or a decrease of 83 audits. The Division has conducted a vigorous information campaign to urge entities to use independent auditors, obviously to no avail. It appears local governments are satisfied with the Local Government Services audits and are reluctant to change, especially when independent auditors' fees are usually higher. The Department requested authority to increase their rates and contract directly for independent audits; however, no changes were authorized. Under the present conditions, the Division can only get further behind in completing their audits.

RECOMMENDATIONS

WE RECOMMEND THAT THE DEPARTMENT:

1. AGAIN SEEK LEGISLATIVE AUTHORITY TO EITHER INCREASE THEIR STAFF, INCREASE THE CHARGES FOR THEIR SERVICES OR GIVE THE DIVISION THE AUTHORITY TO CONTRACT DIRECTLY FOR INDEPENDENT AUDITS.

AERONAUTICS DIVISION COMPLIANCE

Our review of the Aeronautics Division revealed they have had little success in complying with the statutory requirement to license aircraft. It costs more than the $4.00 fee to register an aircraft. There is no penalty for not registering and there is no ready source of ownership information. Division personnel indicated they could see no benefit to the Division to have aircraft registered. It was suggested that the primary beneficiary for the registration would be the counties in collection of taxes. Therefore, it could be more meaningful to transfer the registration function to the counties in a manner similar to car licensing.

RECOMMENDATIONS

WE RECOMMEND THAT THE DEPARTMENT:

1. SEEK LEGISLATION TO RELIEVE THEM OF THE AIRCRAFT REGISTRATION RESPONSIBILITY.

AERONAUTICS BOARD

Our review of the Aeronautics Board minutes indicated they met six times during the year. As of the date of our review, the minutes for the last three meetings had not been signed by the appropriate officials. Minutes are not official until signed, and such approval should be timely.

RECOMMENDATIONS

WE RECOMMEND THAT THE DEPARTMENT:

1. MAKE CERTAIN MINUTES OF BOARD OF AERONAUTICS MEETINGS ARE SIGNED IMMEDIATELY AFTER APPROVAL AT THE NEXT BOARD MEETING.

STATE AIR TRANSPORTATION POOL

Section 67-2-201 of the Montana Codes, 1978, delegates the Department as the custodian of all state-owned airplanes, and Section 67-2-202 provides the power and authority to "charge the individual state agencies using the airplanes the estimated costs for administration, operation, maintenance, service, storage and replacement." Section 67-2-203 further states "Any deficit resulting from the operation of the airplanes by the Department shall be provided for in the state's general fund budget as determined by legislative action." The Air Transportation Revolving Fund at June 30, 1979, indicates an inter-entity loan from the Aeronautics Division Ear Marked Revenue Fund in the amount of $157,409.84. The loan was to cover deficits in operation of the pool for 1977, 1978 and 1979. The Department had requested a supplemental appropriation from the 1979 legislature which was denied.

There appears to be no other source of funds to repay the loan to the Ear Marked Revenue accounts, and it is inappropriate for funds gathered from the aircraft users for services to that population be used to pay transportation costs for state agencies. Several aircraft organizations have notified the Board of their intent to sue the Division for recovery of the loan amount.

RECOMMENDATIONS

WE RECOMMEND THAT THE DEPARTMENT:

1. SEEK A LEGISLATIVE APPROPRIATION AS PROVIDED IN SECTION 67-2-203, 1978, CODES OF MONTANA, TO REPAY THE LOAN TO THE EAR MARKED REVENUE FUND.

AUTHORIZATION FOR STATE AIRCRAFT FLIGHTS

The Department complied with most of the prior audit recommendations regarding billing procedures for use of the aircraft pool. All of the required forms are used and procedures are followed. All arrangements for flights are usually made by telephone and procedures do not require user agencies to officially sign for and

authorize the use and billings. Although there has not appeared to be any unauthorized use of the state aircraft pool, there is no safeguard against that without proper procedures.

RECOMMENDATIONS

WE RECOMMEND THAT THE DEPARTMENT:

1. INITIATE A PROCEDURE TO REQUIRE SIGNATURE AUTHORIZATION FOR ALL FLIGHTS.

PRIOR AUDIT RECOMMENDATIONS

There were 51 recommendations contained in the Department of Community Affairs audit completed by Newland, Horn and Taylor, PST, CPA's, for the fiscal year ended June 30, 1976. There were only two recommendations which the Department did not concur. Of the 49 the Department indicated they would implement, we found 30 had been adequately covered. Five items were partially complied with, and eight recommendations relative to property management will soon be completed with the implementation of the new State Property Accounting and Management System. The other six items have either been covered in our current recommendations, or we found the conditions had changed and the recommendations no longer apply.

FINAL COMMENTS

We have reviewed the comments and recommendations contained in this report with the Director of Community Affairs and his staff. The full text of the Department's response to this report begins on page 42.

We wish to express our appreciation to the Director and his staff for cooperation and assistance during our engagement.

FINANCIAL STATEMENTS

STATE OF MONTANA
DEPARTMENT OF COMMUNITY AFFAIRS

COMBINED BALANCE SHEET
ALL FUNDS
JUNE 30, 1979

	General Fund	Earmarked Revenue Fund	Federal & Private Revenue Fund	Federal & Private Grant Clearance Fund	Revolving Fund	Education Trust Fund
ASSETS:						
Cash on Hand	$ --	$ 75	$ 50	$ --	$ 100	$ --
Cash in Revolving Fund	2 500	2 000	8 000	--	--	--
Cash in Treasury	--	1 583 999	233 390	53 781	216 088	1 287 679
Available to Pay Accrued Expenditures	60 807	489	--	--	--	--
Deferred Accounts Receivable	57 765	--	--	3 556	--	--
Federal Cost Reimbursement Receivables	--	--	70 434	1 251 736	--	--
Accounts Receivable - Receipts	--	--	--	--	4 667	--
Notes Receivable	--	407 738	--	--	--	--
Inter-Entity Loans Receivable	--	157 410	43 271	--	--	--
Federal Securities - Book Value	--	--	--	--	--	500 000
Other Investments - Par	--	--	--	--	--	8 150 000
Unamortized Premium	--	--	--	--	--	1 474
Interest Purchased	--	--	--	--	--	3 656
Transfers to STIP - Principal	--	4 344 896	--	--	--	2 444 839
Total Assets	$ 121,072	$ 6,496,607	$ 355,145	$ 1,309,073	$ 220,855	$ 12,387,648
LIABILITIES:						
Accrued Expenditures	$ 60,807	$ 3,084,923	$ 67,218	$ 281	$ 28,946	$ --
Inter-Entity Loans Payable	--	--	--	43 271	157 410	--
Unaccumulated Bond Discount	--	--	--	--	--	48 100
Total Liabilities	$ 60,807	$ 3,084,923	$ 67,218	$ 43,552	$ 186,356	$ 48,100
RESERVES AND FUND BALANCE:						
Reserve for Deferred Accounts Receivable	$ 57,765	$ --	$ --	$ 3,556	$ --	$ --
Reserve for Revolving Fund Cash	2 500	--	--	--	--	--
Fund Balance	--	3 411 684	287 927	1 261 965	34 499	12 339 548
Total Liabilities, Reserves and Fund Balance	$ 121,072	$ 6,496,607	$ 355,145	$ 1,309,073	$ 220,855	$ 12,387,648

See Accompanying Notes to Financial Statements

STATE OF MONTANA
DEPARTMENT OF COMMUNITY AFFAIRS

EARMARKED REVENUE FUND
BALANCE SHEET
JUNE 30, 1979

	Highway	Aeronautics Commission	County Land Planning	Local Impact	Construction Trust Fund-Earnings Multi-Use	Total All Accounts
ASSETS:						
Cash on Hand	$ --	$ 75	$ --	$ --	$ --	$ 75
Revolving Cash Fund	--	2 000	--	--	--	2 000
Cash in Treasury	--	634 473	--	949 526	--	1 583 999
Available to Pay Accrued Expenditures	269	--	--	--	220	489
Notes Receivable (Note 6)	--	407 738	--	--	--	407 738
Inter-Entity Loans Receivable (Note 7)	--	157 410	--	--	--	157 410
Transfer to STIP - Principal	--	--	--	4 344 896	--	4 344 896
Total Assets	$ 269	$ 1,201,696	$ --	$ 5,294,422	$ 220	$ 6,496,607
LIABILITIES:						
Accrued Expenditures (Note 8)	$ 269	$ 292,872	$ --	$ 2,791,562	$ 220	$ 3,084,923
RESERVES AND FUND BALANCE:						
Fund Balance	--	908 824	--	2 502 860	--	3 411 684
Total Liabilities, Reserves and Fund Balance	$ 269	$ 1,201,696	$ --	$ 5,294,422	$ 220	$ 6,496,607

See Accompanying Notes to Financial Statements

STATE OF MONTANA
DEPARTMENT OF COMMUNITY AFFAIRS

FEDERAL AND PRIVATE REVENUE FUND
BALANCE SHEET
JUNE 30, 1979

	Planning & Economic Development	Local Government Assistance	Traffic Safety Coordinator	OEO Coordinator	IGR/ Municipal Regulations	MBCC State Agency Grants	State Agency CETA/PSE Contract	Aeronautics Commission	Total All Accounts
ASSETS:									
Cash on Hand	$ 25	$ --	$ --	$ 25	$ --	$ --	$ --	$ --	$ 50
Cash in Revolving Fund	2 500	--	1 000	4 500	--	--	--	--	8 000
Cash in Treasury	71 644	77 124	26 279	48 157	88	--	249	9 849	233 390
Federal Cost Reimbursement Receivable	--	3 000	--	67 434	--	--	--	--	70 434
Inter-Entity Loans Receivable	43 271	--	--	--	--	--	--	--	43 271
Total Assets	$ 117,440	$ 80,124	$ 27,279	$ 120,116	$ 88	$ --	$ 249	$ 9,849	$ 355,145
LIABILITIES:									
Accrued Expenditures	$ 28,759	$ 382	$ 16,499	$ 18,043	$ --	$ --	$ --	$ 3,535	$ 67,218
RESERVES AND FUND BALANCE:									
Fund Balance	88 681	79 742	10 780	102 073	88	--	249	6 314	287 927
Total Liabilities, Reserves and Fund Balance	$ 117,440	$ 80,124	$ 27,279	$ 120,116	$ 88	$ --	$ 249	$ 9,849	$ 355,145

See Accompanying Notes to Financial Statements

EXHIBIT "A-3"

STATE OF MONTANA
DEPARTMENT OF COMMUNITY AFFAIRS

FEDERAL AND PRIVATE GRANT CLEARANCE FUND
BALANCE SHEET
JUNE 30, 1979

	Montana Highway Traffic Safety Director	Human Resources Division	Urban Planning	Total All Accounts
ASSETS:				
Cash in Treasury	$ --	$ 21,251	$ 32,530	$ 53,781
Deferred Accounts Receivable	--	--	3 556	3 556
Federal Cost Reimbursement Receivable	--	1 251 736	--	1 251 736
Total Assets	$ --	$ 1,272,987	$ 36,086	$ 1,309,073
LIABILITIES:				
Accrued Expenditures	$ --	$ --	$ 281	$ 281
Inter-Entity Loans Payable	43 271	--	--	43 271
Total Liabilities	$ 43,271	$ --	$ 281	$ 43,552
RESERVES AND FUND BALANCE:				
Reserve for Deferred Accounts Receivable	--	--	3 556	3 556
Fund Balance	(43 271)	1 272 987	32 249	1 261 965
Total Liabilities, Reserves and Fund Balance	$ --	$ 1,272,987	$ 36,086	$ 1,309,073

See Accompanying Notes to Financial Statements

STATE OF MONTANA
DEPARTMENT OF COMMUNITY AFFAIRS

REVOLVING FUND
BALANCE SHEET
JUNE 30, 1979

	West Yellowstone Airport	Centralized Services	Department of Planning File Management System	Aeronautics Capital Replacement	Aeronautics Air Transportation	Total All Accounts
ASSETS:						
Cash on Hand	$ 100	$ --	$ --	$ --	$ --	$ 100
Cash in Treasury	50 434	14 563	28 420	81 892	40 779	216 088
Accounts Receivable - Receipts	--	--	783	221	3 663	4 667
Total Assets	$ 50,534	$ 14,563	$ 29,203	$ 82,113	$ 44,442	$ 220,855
LIABILITIES:						
Accrued Expenditures	$ 5,765	$ 6,090	$ 6,122	$ --	$ 10,969	$ 28,946
Inter-Entity Loans Payable	--	--	--	--	157 410	157 410
Total Liabilities	$ 5,765	$ 6,090	$ 6,122	$ --	$168,379	$ 186,356
RESERVES AND FUND BALANCE:						
Fund Balance	44 769	8 473	23 081	82 113	(123 937)	34 499
Total Liabilities, Reserves and Fund Balance	$ 50,534	$ 14,563	$ 29,203	$ 82,113	$ 44,442	$ 220,855

See Accompanying Notes to Financial Statements

STATE OF MONTANA
DEPARTMENT OF COMMUNITY AFFAIRS

COMBINED STATEMENT OF CHANGES IN FUND BALANCE - ALL FUNDS
FISCAL YEAR ENDED JUNE 30, 1979

	General Fund	Earmarked Revenue Fund	Federal & Private Revenue Fund	Federal & Private Grant Clearance Fund	Revolving Fund	Education Trust Fund
Fund Balance, July 1, 1978	$ --	$ 940,326	$ 166,300	$ 283,838	$ 77,501	$ 8,983,762
Additions:						
Appropriations (1)	1 678 964	--	--	--	--	--
Revenue and Income	341 319	434 042	2 206 590	10 873 457	523 818	547 567
Transfers from Consolidated Entity	673	6 365 679	13 688	--	--	3 085 255
Prior Year Revenue Adjustment	--	--	34 210	21 059	--	--
Prior Year Income Adjustment	151	--	--	--	51 765	--
Prior Year Expenditure Adjustment	14 152	535 898	--	--	--	--
Prior Year Withdrawal Adjustment	--	--	--	183 442	--	--
Loans to Other Agencies	--	122 000	--	--	--	--
Inter-Entity Loans Receivable - Prior Years Operating Deficit	--	93 290	--	--	--	--
Balance and Additions	$ 2,035,259	$ 8,491,235	$ 2,420,788	$ 11,361,796	$ 653,084	$ 12,616,584
Deductions:						
Expenditures and Withdrawals	$ 1,611,092	$ 4,705,702	$ 1,868,631	$ 9,984,864	$ 508,271	$ --
Transfers to Consolidated Entity	356 295	540	--	--	--	--
Prior Year Revenue Adjustment	--	303 813	28 658	112 991	--	277 036
Prior Year Income Adjustment	--	--	180	1 976	5 592	--
Prior Year Expenditure Adjustment	--	10 769	234 326	--	5 218	--
Prior Year Withdrawal Adjustment	--	--	34	--	6 196	--
Write-Off Dishonored Checks	--	426	--	--	18	--
Write-Off Accounts Receivable	--	--	1 032	--	--	--
Collections on Loans to Other Agencies	--	58 302	--	--	--	--
Inter-Entity Loans Receivable - Prior Years' Operating Deficit	--	--	--	--	93 290	--
Reversions	67 872	--	--	--	--	--
Total Deductions	$ 2,035,259	$ 5,079,552	$ 2,132,861	$ 10,099,831	$ 618,585	$ 277,036
Fund Balance, June 30, 1979	$ --	$ 3,411,683	$ 287,927	$ 1,261,965	$ 34,499	$ 12,339,548

(1) Includes $45,221 appropriated by the 1979 legislature to cover the cost of Governor's travel in FY1977.

See Accompanying Notes to Financial Statements

STATE OF MONTANA
DEPARTMENT OF COMMUNITY AFFAIRS

EARMARKED REVENUE FUND
STATEMENT OF CHANGES IN FUND BALANCE
FISCAL YEAR ENDED JUNE 30, 1979

	Highway	Aeronautics Commission	County Land Planning	Local Impact	Construction Trust Fund Earnings Multi-Use	Total All Accounts
Fund Balance, July 1, 1978	$ --	$ 1,012,436	$ --	$ (72,110)	$ --	$ 940,326
Additions:						
Revenue and Income	--	118 125	--	315 917	--	434 042
Transfer from Consolidated Entity	145 623	356 202	320 168	5 394 470	149 216	6 365 679
Prior Year Expenditure Adjustment	540	--	--	535 358	--	535 898
Loans to Other Agencies	--	122 000	--	--	--	122 000
Inter-Entity Loans Receivable - Prior Years' Operating Deficit	--	93 290	--	--	--	93 290
Balance and Additions	$ 146,163	$ 1,702,053	$ 320,168	$ 6,173,635	$ 149,216	$ 8,491,235
Deductions:						
Expenditures and Withdrawals	$ 145,623	$ 723,732	$ 320,168	$ 3,366,963	$ 149,216	$ 4,705,702
Transfer to Consolidated Entity	540	--	--	--	--	540
Prior Year Revenue Adjustment	--	--	--	303 813	--	303 813
Prior Year Expenditure Adjustment	--	10 769	--	--	--	10 769
Write Off Dishonored Check	--	426	--	--	--	426
Collections on Loans to Other Agencies	--	58 302	--	--	--	58 302
Total Deductions	$ 146,163	$ 793,229	$ 320,168	$ 3,670,776	$ 149,216	$ 5,079,552
Fund Balance, June 30, 1979	$ --	$ 908,824	$ --	$ 2,502,859	$ --	$ 3,411,683

See Accompanying Notes to Financial Statements

EXHIBIT "B-2"

STATE OF MONTANA
DEPARTMENT OF COMMUNITY AFFAIRS

FEDERAL AND PRIVATE REVENUE FUND
FISCAL YEAR ENDED JUNE 30, 1979

	Planning & Economic Development	Local Government Assistance	Traffic Safety Coordinator	OEO Coordinator	IGR/ Municipal Regulations	MBCC State Agency Grants	State Agency CETA/PSE Contract	Aeronautics Commission	Total All Accounts
Fund Balance, July 1, 1978	$ 84,843	$ 51,221	$ (17,590)	$ 35,530	$ 88	$ --	$ --	$ 12,208	$ 166,300
Additions:									
Revenue and Income	577 381	723 299	283 048	571 925	--	--	15 753	35 184	2 206 590
Transfer from Consolidated Entity	--	--	--	--	--	13 688	--	--	13 688
Prior Year Revenue Adjustment	--	--	--	34 210	--	--	--	--	34 210
Balance and Additions	$ 662,224	$ 774,520	$ 265,458	$ 641,665	$ 88	$ 13,688	$ 15,753	$ 47,392	$ 2,420,788
Deductions:									
Expenditures and Withdrawals	$ 532,055	$ 494,451	$ 252,435	$ 531,628	$ --	$ 13,688	$ 15,504	$ 28,870	$ 1,868,631
Prior Year Revenue Adjustment	28 658	--	--	--	--	--	--	--	28 658
Prior Year Income Adjustment	180	--	--	--	--	--	--	--	180
Prior Year Expenditure Adjustment	12 168	200 327	2 243	7 380	--	--	--	12 208	234 326
Prior Year Withdrawal Adjustment	34	--	--	--	--	--	--	--	34
Write Off Accounts Receivable	448	--	--	584	--	--	--	--	1 032
Total Deductions	$ 573,543	$ 694,778	$ 254,678	$ 539,592	$ --	$ 13,688	$ 15,504	$ 41,078	$ 2,132,861
Fund Balance, June 30, 1979	$ 88,681	$ 79,742	$ 10,780	$ 102,073	$ 88	$ --	$ 249	$ 6,314	$ 287,927

See Accompanying Notes to Financial Statements

EXHIBIT "B-3"

STATE OF MONTANA
DEPARTMENT OF COMMUNITY AFFAIRS

FEDERAL AND PRIVATE GRANT CLEARANCE FUND
STATEMENT OF CHANGES IN FUND BALANCE
FISCAL YEAR ENDED JUNE 30, 1979

	Montana Highway Traffic Safety Director	Human Resources Division	Urban Planning	Total All Accounts
Fund Balance, July 1, 1978	$ 32,281	$ 161,763	$ 89,794	$ 283,838
Additions:				
Revenue and Income	731 257	8 989 316	1 152 884	10 873 457
Prior Year Revenue Adjustment	--	--	21 059	21 059
Prior Year Withdrawal Adjustment	--	181 887	1 555	183 442
Balance and Additions	$ 763,538	$ 9,332,966	$ 1,265,292	$ 11,361,796
Deductions:				
Expenditures and Withdrawals	$ 806,809	$ 7,945,012	$ 1,233,043	$ 9,984,864
Prior Year Revenue Adjustment	--	112 991	--	112 991
Prior Year Income Adjustment	--	1 976	--	1 976
Total Deductions	$ 806,809	$ 8,059,979	$ 1,233,043	$ 10,099,831
Fund Balance, June 30, 1979	$ (43,271)	$ 1,272,987	$ 32,249	$ 1,261,965

See Accompanying Notes to Financial Statements

STATE OF MONTANA
DEPARTMENT OF COMMUNITY AFFAIRS

REVOLVING FUND
STATEMENT OF CHANGES IN FUND BALANCE
FISCAL YEAR ENDED JUNE 30, 1979

	West Yellowstone Airport	Centralized Services	Department of Planning File Management System	Aeronautics Capital Replacement	Aeronautics Air Transportation	Total All Accounts
Fund Balance, July 1, 1978	$ 21,774	$ --	$ 22,893	$ 65,307	$ (32,473)	$ 77,501
Additions:						
Revenue and Income	78 405	182 730	61 981	34 548	166 154	523 818
Prior Year Income Adjustment	--	--	--	869	50 896	51 765
Balance and Additions	$ 100,179	$ 182,730	$ 84,874	$ 100,724	$ 184,577	$ 653,084
Deductions:						
Expenditures and Withdrawals	$ 55,308	$ 174,257	$ 51,067	$ 18,611	$ 209,028	$ 508,271
Prior Year Income Adjustment	--	--	5 592	--	--	5 592
Prior Year Expenditure Adjustment	102	--	5 116	--	--	5 218
Prior Year Withdrawal Adjustment	--	--	--	--	6 196	6 196
Write Off Dishonored Checks	--	--	18	--	--	18
Inter-Entity Loans Receivable - Prior Years' Operating Deficit	--	--	--	--	93 290	93 290
Total Deductions	$ 55,410	$ 174,257	$ 61,793	$ 18,611	$ 308,514	$ 618,585
Fund Balance June 30, 1979	$ 44,769	$ 8,473	$ 23,081	$ 82,113	$(123,937)	$ 34,499

See Accompanying Notes to Financial Statements

EXHIBIT "C"

STATE OF MONTANA
DEPARTMENT OF COMMUNITY AFFAIRS

STATEMENT OF REVENUE COMPARED TO REVENUE ESTIMATES
ALL FUNDS
FISCAL YEAR ENDED JUNE 30, 1979

	Estimated Revenue	Actual Revenue	Over (Under) Estimate
General Fund:			
Service Fees	$ 323,301	$ 341,319	$ 18,018
Total General Fund	$ 323,301	$ 341,319	$ 18,018
Earmarked Revenue Fund:			
Aeronautics Commission:			
Licenses and Permits	$ 12,000	$ 10,103	$ (1,897)
Investment Earnings	15 000	15 276	276
Reimbursements - Federal	25 000	19 687	(5 313)
Sale of Documents	13 000	14 382	1 382
	$ 65,000	$ 59,448	$ (5,552)
Total Earmarked Revenue Fund	$ 65,000	$ 59,448	$ (5,552)
Federal and Private Revenue Fund:			
Planning and Economic Development:			
Grants, Gifts, Bequests and Donations	$ --	$ 1,922	$ 1,922
Federal Assistance	495 163	510 149	14 986
	$ 495,163	$ 512,071	$ 16,908
Local Government Assistance:			
Federal Assistance	694 145	715 795	20 650
Traffic Safety Coordinator:			
Federal Assistance	690 000	264 048	(425 952)
OEO Coordinator:			
Federal Assistance	371 300	396 804	25 504
State Agency CETA/PSE Contract:			
Federal Assistance	17 393	15 753	(1 640)
Aeronautics Commission:			
Federal Assistance	61 393	35 184	(26 209)
Total Federal and Private Revenue	$ 2,330,394	$ 1,939,655	$ (390,739)
Federal and Private Grant Clearance Fund:			
Montana Highway Traffic Safety Director:			
Federal Assistance	$ 850,000	$ 731,257	$ (118,743)

EXHIBIT "C"
(Continued)

STATE OF MONTANA
DEPARTMENT OF COMMUNITY AFFAIRS

STATEMENT OF REVENUE COMPARED TO REVENUE ESTIMATES
ALL FUNDS
FISCAL YEAR ENDED JUNE 30, 1979

	Estimated Revenue	Actual Revenue	Over (Under) Estimate
Federal and Private Grant Clearance Fund: (continued)			
Human Resources Division:			
Grants, Gifts, Bequests and Donations	$ 4,000	$ 2,000	$ (2,000)
Federal Assistance	3 894 500	5 789 207	1 894 707
	$ 3,898,500	$ 5,791,207	$ 1,892,707
Urban Planning:			
Grants, Gifts, Bequests and Donations	$ 50,000	$ 17,772	$ (32,228)
Federal Assistance	1 295 000	1 135 112	(159 888)
	$ 1,345,000	$ 1,152,884	$ (192,116)
Total Federal and Private Grant Clearance Fund	$ 6,093,500	$ 7,675,348	$ 1,581,848
Revolving Fund:			
West Yellowstone Airport:			
Rentals	$ 65,000	$ 78,405	$ 13,405
Department of Planning Management File System:			
Sale of Documents	--	6 608	6 608
Total Revolving Fund	$ 65,000	$ 85,013	$ 20,013
Education Trust Fund:			
Investment Earnings	$ --	$ 6,724	$ 6,724
Total Education Trust Fund	$ --	$ 6,724	$ 6,724

See Accompanying Notes to Financial Statements

EXHIBIT "D"

STATE OF MONTANA
DEPARTMENT OF COMMUNITY AFFAIRS

STATEMENT OF INCOME COMPARED TO INCOME ESTIMATES
ALL FUNDS
FISCAL YEAR ENDED JUNE 30, 1979

	Estimated Income	Actual Income	Over (Under) Estimate
Earmarked Revenue Fund:			
Aeronautics Commission:			
Sale of Documents, Merchandise and Property	$ --	$ 150	$ 150
Rentals, Leases, Royalties	--	320	320
Grant Repayment	100 000	58 207	(41 793)
	$ 100,000	$ 58,677	$ (41,323)
Local Impact:			
Investment Earnings	350 000	315 917	(34 083)
Total Earmarked Revenue Fund	$ 450,000	$ 374,594	$ (75,046)
Federal and Private Revenue Fund:			
Planning and Economic Development:			
Grants, Gifts, Bequests and Donations	$ --	$ 26,000	$ 26,000
Federal Assistance	61 870	39 310	(22 560)
	$ 61,870	$ 65,310	$ 3,440
Local Government Assistance:			
Sale of Documents, Merchandise and Property	--	7 504	7 504
Traffic Safety Coordinator:			
Federal Assistance	10 000	19 000	9 000
OEO Coordinator:			
Federal Assistance	223 500	175 121	(48 379)
Total Federal and Private Revenue Fund	$ 295,370	$ 266,935	$ (28,435)
Federal and Private Grant Clearance Fund:			
Human Resources Division:			
Grants, Gifts, Bequests and Donations	$ --	$ 3,200	$ 3,200
Federal Assistance	3 500 000	3 194 909	(305 091)
Total Federal and Private Grant Clearance Fund	$ 3,500,000	$ 3,198,109	$ (301,891)
Revolving Fund:			
Centralized Services:			
Income Collection and Transfers	$ 182,412	$ 182,730	$ 318

EXHIBIT "D"
(Continued)

STATE OF MONTANA
DEPARTMENT OF COMMUNITY AFFAIRS

STATEMENT OF INCOME COMPARED TO INCOME ESTIMATES
ALL FUNDS
FISCAL YEAR ENDED JUNE 30, 1979

	Estimated Income	Actual Income	Over (Under) Estimate
Revolving Fund: (continued)			
Department of Planning File Management Systems:			
Sale of Documents, Merchandise and Property	$ 42,000	$ 55,017	$ 13,017
Aeronautics Capital Replacement:			
Reimbursements	40 000	34 548	(5 452)
Aeronautics Air Transportation:			
Reimbursements	300 000	166 154	(133 846)
Total Revolving Fund	$ 564,412	$ 438,449	$ (125,963)
Education Trust Fund:			
Investment Earnings	$ 765,000	$ 540,843	$ (224,157)
Total Education Trust Fund	$ 765,000	$ 540,843	$ (224,157)

See Accompanying Notes to Financial Statements

STATE OF MONTANA
DEPARTMENT OF COMMUNITY AFFAIRS

STATEMENT OF EXPENDITURES AND WITHDRAWALS COMPARED WITH APPROPRIATIONS
ALL FUNDS
FISCAL YEAR ENDED JUNE 30, 1979

	Appropriation	Budget Amendments	Total Available	Expenditures and Withdrawals	Balance
Federal and Private Grant Clearance Fund:					
Human Resources	$ --	$ 11,488,895	$ 11,488,895	$ 7,945,013	$ 3,543,882
Highway	--	--	--	806 808	(806 808)
Planning	--	--	--	1 233 043	(1 233 043)
Total	$ --	$ 11,488,895	$ 11,488,895	$ 9,984,864	$ 1,504,031
Revolving Fund:					
Aeronautics	$ 287,061	$ 38,612	$ 325,673	$ 282,947	$ 42,726
Research and Information	21 147	29 920	51 067	51 067	--
Centralized Services	--	182 412	182 412	174 257	8 155
Total	$ 308,208	$ 250,944	$ 559,152	$ 508,271	$ 50,881

See Accompanying Notes to Financial Statements

EXHIBIT

STATE OF MONTANA
DEPARTMENT OF COMMUNITY AFFAIRS

STATEMENT OF PROGRAM EXPENDITURES BY OBJECT
ALL FUNDS
FISCAL YEAR ENDED JUNE 30, 1979

	Aeronautics	Human Resources	Highway Traffic Safety	Local Government Services	Accounting & Management Systems	Director's Office	Field Assistance Program	Planning	Disaster Assistance	Indian Affairs Coordinator	Coal Board	Research & Information System	Intra-Entity Service Billings - Centralized Services	Intra-Entity Service Billings - Centralized Services	Total
Personal Services:															
Salaries	$ 221,542	$ 254,320	$ 126,538	$ 422,592	$ 134,136	$ 91,389	$ 74,618	$ 343,351	$ 62	$ 45,194	$ 28,069	$ 162,783	$ 131,376	$ --	$ 2,035
Other Compensation	2 200	--	--	--	--	--	--	--	--	--	3 416	--	--	--	5
Employee Benefits	34 411	38 183	16 703	63 792	20 132	10 089	11 275	51 166	9	6 787	4 520	23 466	19 932	--	300
Total	$ 258,153	$ 292,503	$ 143,241	$ 486,384	$ 154,268	$ 101,478	$ 85,893	$ 394,517	$ 71	$ 51,981	$ 36,005	$ 186,249	$ 151,308	$ --	$ 2,342
Operating Expenses:															
Contracted Services	$ 69,228	$ 79,908	$ 93,365	$ 12,044	$ 3,032	$ 444	$ 2,637	$ 143,983	$ 92,597	$ 76	$ 24,059	$ 27,462	$ 1,632	$ --	$ 550
Supplies and Materials	43 837	13 714	6 224	14 175	5 489	1 764	501	12 475	4 929	672	1 139	2 226	2 489	--	109
Communications	16 709	26 898	5 993	11 416	2 959	3 625	2 547	18 278	193	2 778	2 921	5 757	2 455	--	102
Travel	33 616	59 487	4 755	80 665	23 526	2 523	7 546	27 933	12 780	2 905	9 523	2 460	2 906	--	270
Rent	92 947	16 528	8 892	15 992	10 726	7 158	5 465	22 732	59 929	4 986	5 154	14 269	10 907	--	275
Utilities	9 867	1 680	738	1 954	1 246	617	132	2 698	11	607	608	1 402	876	--	22
Repairs and Maintenance	22 508	337	498	4 102	541	1 105	--	288	49 457	48	63	370	664	--	79
Other Expense	33 939	44 844	20 765	19 018	9 829	22 510	9 365	24 920	22	7 090	21 055	13 528	377	(182 730)	44
Total	$ 322,651	$ 243,396	$ 141,230	$ 159,366	$ 57,348	$ 39,746	$ 28,193	$ 253,307	$ 219,918	$ 19,162	$ 64,522	$ 67,474	$ 22,306	$(182,730)	$ 1,455
Equipment	$ 51,696	$ 440	$ 269	$ 1,609	$ 6,218	$ 584	$ 160	$ 214	$ --	$ --	$ --	$ --	$ 642	$ --	$ 61
Capital Outlay	$ 98,503	$ --	$ --	$ --	$ --	$ --	$ --	$ --	$ --	$ --	$ --	$ --	$ --	$ --	$ 98
Local Assistance	$ 399,045	$ --	$ --	$ --	$ --	$ --	$ --	$ --	$ --	$ --	$ --	$ --	$ --	$ --	$ 399
Grants	$ 4,000	$ 8,087,513	$ 835,229	$ --	$ --	$ --	$ --	$ 1,628,211	$ 474,015	$ --	$ 3,263,876	$ --	$ --	$ --	$ 14,292
Transfers	$ 45,221 (1)	$ --	$ --	$ --	$ --	$ --	$ --	$ --	$ --	$ --	$ --	$ --	$ --	$ --	$ 45
Total Expenditures	$ 1,179,269	$ 8,623,852	$ 1,119,969	$ 647,359	$ 217,834	$ 141,808	$ 114,246	$ 2,276,249	$ 694,004	$ 71,143	$ 3,364,403	$ 253,723	$ 174,256	$(182,730)	$ 18,695
Funding Sources:															
General Fund	$ 167,235	$ 16,816	$ --	$ 647,359	$ 217,834	$ 141,808	$ 36,848	$ 206,448	$ --	$ 55,407	$ --	$ 121,338	$ --	$ (51,762)	$ 1,559
Earmarked Revenue Fund	702 777	149 216	70 624	--	--	--	23 516	395 168	--	--	3 364 403	--	--	(38 435)	4 667
Federal & Private Revenue Fund	28 870	512 808	242 536	--	--	--	51 322	441 590	694 004	15 736	--	81 318	--	(84 087)	1 984
Federal & Private Grant Clearance Fund	--	7 945 012	806 809	--	--	--	--	1 233 043	--	--	--	--	--	--	9 984
Revolving Fund	280 387	--	--	--	--	--	2 560	--	--	--	--	51 067	174 256	(8 446)	499
Education Trust Fund	--	--	--	--	--	--	--	--	--	--	--	--	--	--	
Total Funding Sources	$ 1,179,269	$ 8,623,852	$ 1,119,969	$ 647,359	$ 217,834	$ 141,808	$ 114,246	$ 2,276,249	$ 694,004	$ 71,143	$ 3,364,403	$ 253,723	$ 174,256	$(182,730)	$ 18,695

See Accompanying Notes to Financial Statements

(1) Governor's Travel Prior to July 1, 1977

1. Summary of Significant Accounting Policies:

The preceding financial statements were prepared from the Statewide Budgeting and Accounting System (SBAS).

The State of Montana utilizes the modified accrual basis of accounting, under which expenditures are recorded when the liability is incurred and revenues are recorded when received in cash unless susceptible to accrual (i.e., measurable and available to finance the agency's operations) or of a material amount and not received at the normal time of receipt. At the end of a fiscal year, all valid obligations are to be accrued as expenditures as provided by law. (Montana Administrative Manual 2-0240.40)

2. Vacation and Sick Pay:

An accrual is not recorded for vacation and sick pay earned by permanent employees of the department. Vacation may be accumulated to the maximum of two years as of the end of a calendar year. Sick pay earned has no limitation on the amount accumulated. Upon termination of employment, a cash payment is made for 100 percent of vacation pay accumulated and for 25 percent of sick pay. The value of vacation and sick pay at June 30, 1979, was not readily determinable.

3. Retirement Plans:

The Department of Community Affairs participates in the Public Employees' Retirement System which covers substantially all of the Department's employees. The Department contributes 6.2 percent of the employee's salary while 6 percent is withheld from the employees for their contribution. The cost of this plan to the Department for the year ended June 30, 1979, was $122,855.

4. General Fixed Assets:

The Department of Community Affairs has not maintained adequate records of

its general fixed assets. Assets purchased are recorded as expenditures in the various funds in the year of purchase or encumbrance. A general fixed assets account group is not maintained and depreciation is not provided.

5. Investments:

The Department of Revenue collects monies on coal taxes. Funds for the Department of Community Affairs are deposited into the Local Impact and Educational Trust Funds. As of June 30, 1979, $4,344,896 has been invested in the Short-Term Investment Pool for Local Impact Fund having a market value as of that date of $4,324,183. Of the $11,094,839 invested for the Education Trust Fund, the $2,444,839 in the Short-Term Investment Pool has a market value of $2,444,839 as of June 30, 1979. The remainder, $8,650,000, is invested in federal securities and corporate bonds having a market value of $8,284,515.

6. Aeronautics Commission Notes Receivable (Earmarked Revenue Fund):

Notes receivable as of June 30, 1979, is understated by $36,000. A loan made to the Glasgow airport on June 14, 1978, for $40,000 is not included, and a $4,000 payment on the Roundup loan is not deducted, making the net understatement.

7. Aeronautics Commission Inter-Agency Loans Receivable:

The statements reflect a receivable from the Revolving Fund to the Aeronautics Division Earmarked Revenue Fund of $157,410. This represents the 1977, 1978 and 1979 deficits in the operations of the air transportation pool. The collectability of this amount is contingent upon the Legislature appropriating funds to cover the deficit as provided in Section 67-2-203, 1978, Codes of Montana.

8. Aeronautics Commission Accrued Expenditures (Earmarked Revenue Fund):

The Department accrued 12 airport loans at June 30, 1979, of $281,045. Sufficient documentation to substantiate the accrual of $72,625 was noted in the loan files. The files on the balance of loans of $208,420 did not contain documentation to justify an accrual as a valid obligation for the fiscal year

in accordance with Section 2-1420.20 of the Expenditure Accrual Chapter of the SBAS manual.

9. Leases:

The Department leases its principal headquarters from the 11th Avenue Corporation. The effective date of the lease is September 1, 1977, for a five-year period with no renewable clause at a monthly rental of $9,300. The other principal lease is between the Joint City Airport Board and the State Aeronautics Commission dated July 1, 1970, for 20 years with an option to renew for an additional 20 years. The monthly rent on this building is $2,300.

AGENCY REPLY

DCA MONTANA DEPARTMENT OF COMMUNITY AFFAIRS
Capitol Station, Helena, Montana 59601
Thomas L. Judge
Governor

November 6, 1979

Mr. Harlan Timboe, C.P.A.
Douglas Wilson & Company
1000 1st Avenue South
Great Falls, Montana 59401

Dear Mr. Timboe:

Enclosed is our response to your recommendations in the audit of the Department of Community Affairs for the fiscal year ending June 30, 1979.

Sincerely,

Harold A. Fryslie
Director

HAF:mf
Encl: 1

STATE OF MONTANA
DEPARTMENT OF COMMUNITY AFFAIRS

AGENCY REPLIES

ACCOUNTS RECEIVABLE

RECOMMENDATION NO. 1

MAKE INDEPENDENT ENTRIES TO SBAS AND HAND POSTED DETAIL LEDGERS FOR ALL ACCOUNTS RECEIVABLE AND RECONCILE SUBSIDIARY BALANCES TO SBAS CONTROL ACCOUNTS MONTHLY.

RECOMMENDATION NO. 2

SEPARATE BILLING AND COLLECTION FUNCTIONS FOR ALL ACCOUNTS AND USE PRENUMBERED INVOICES AND RECEIPTS.

RECOMMENDATION NO. 3

DISCONTINUE USE OF DUPLICATE SUBSIDIARY LEDGERS AND ELIMINATE THE TIME AND EXPENSE OF PHOTOCOPYING BILLS AND CHECKS.

RECOMMENDATION NO. 4

WRITE OFF AND TURN OVER TO THE DEPARTMENT OF REVENUE ALL ACCOUNTS OVER ONE YEAR OLD.

Response: We concur with the recommendations. We will review our accounts receivable function to determine the most practical and reliable system.

NOTES RECEIVABLE

RECOMMENDATION NO. 1

REVIEW THE APPLICATION PROCEDURES FOR AIRPORT LOANS TO ASSURE PROPER AND TIMELY AUTHORIZATION IS ON FILE.

Response: We concur with the recommendation.

RECOMMENDATION NO. 2

ESTABLISH A REVIEW PROCEDURES BY THE AERONAUTICS DIVISION, CENTRALIZED SERVICES AND DEPARTMENT OF ADMINISTRATION ACCOUNTING DIVISION WHICH WILL ASSURE THAT ALL ACCRUAL REQUESTS ARE VALID OBLIGATIONS OF THE FISCAL PERIOD.

Response: We concur with the recommendation. All accruals will have proper documentation.

RECOMMENDATION NO. 3

REQUEST THE DEPARTMENT OF ADMINISTRATION ACCOUNTING DIVISION ESTABLISH A DEFERRED NOTES RECEIVABLE ACCOUNT, A RESERVE FOR DEFERRED NOTES RECEIVABLE ACCOUNT AND A SUBSIDIARY DETAIL LEDGER TO PROPERLY RECORD THE AIRPORT NOTES RECEIVABLE.

Response: We concur with the recommendation. Currently the Department of Administration is looking into the cost of implementing a Notes Receivable Subsidiary Detail Ledger Report.

CONTINGENCY REVOLVING FUND

RECOMMENDATION NO. 1

DEVELOP A TRAVEL ADVANCE REQUEST FORM WITH A STATEMENT OF OBLIGATION TO BE SIGNED BY THE EMPLOYEE.

Response: We concur with the recommendation.

RECOMMENDATION NO. 2

MAKE PERMANENT TRAVEL ADVANCES TO EMPLOYEES WITH HIGH TRAVEL REQUIREMENTS AND RECORD SUCH ADVANCES ON SBAS IN THE EMPLOYEE TRAVEL ADVANCE ACCOUNT.

RECOMMENDATION NO. 3

USE THE CONTINGENCY REVOLVING FUND ONLY FOR EMERGENCIES AND PAY ALL ROUTINE TRAVEL CLAIMS ON SBAS TRANSFER WARRANT CLAIMS SO THEY ARE PROPERLY RECORDED ON PROGRAM EXPENDITURE REPORTS.

Response: We disagree with the recommendations. The Department feels the efficiency of the present system outweighs the advantage of having individual names of persons traveling recorded on program expenditure reports.

FIXED ASSET INVENTORY

RECOMMENDATION NO. 1

ASSURE IMPLEMENTATION OF THE PROPERTY ACCOUNTING AND MANAGEMENT SYSTEM ON

THE ANTICIPATED TIME SCHEDULE.

Response: We concur with the recommendation. The Department is scheduled to have the Property Accounting and Management System implemented during Fiscal Year 1980.

FEDERAL PROGRAMS

RECOMMENDATION NO. 1

COMPUTERIZE THE HUD SECTION 8 LANDLORD LEDGERS.

RECOMMENDATION NO. 2

ESTABLISH APPLICABLE FEDERAL BUDGETS ON CONTINUING RESPONSIBILITY CENTERS.

RECOMMENDATION NO. 3

DEVELOP A UNIFORM FEDERAL GRANT PROCEDURE FOR SBAS "IN PUT" AND HAVE THE DOCUMENTS PREPARED AT PROGRAM SOURCES.

Response: We concur with the recommendations, but in Recommendation No. 3 we feel that, for control purposes, SBAS "in put" documents should not be prepared at division levels.

DISTRIBUTIVE AND JOURNAL VOUCHERS

RECOMMENDATION NO. 1

REVIEW THE USE OF DISTRIBUTIVE VOUCHERS AND JOURNAL VOUCHERS AND USE THEM ONLY FOR THE APPLICABLE TRANSACTIONS.

Response: We concur with the recommendation.

PURCHASING PROCEDURES

RECOMMENDATION NO. 1

OBTAIN APPROVAL BEFORE THE PURCHASE AND UTILIZE A REQUISITION APPROVED BY THE APPROPRIATE PROGRAM ADMINISTRATOR OR MANAGER TO AUTHORIZE THE PURCHASE OF ANY NON-ROUTINE ITEM.

Response: We concur with the recommendation.

COAL BOARD GRANTS

RECOMMENDATION NO. 1

RECORD ON SBAS OBLIGATIONS AS WELL AS PAYMENTS OF LOCAL IMPACT FUNDS IN A TIMELY MANNER.

Response: We disagree with the recommendation. We feel that recording unpaid obligations at fiscal year end provides adequate fiscal control. Due to the long-term nature of these obligations, we keep manual detail to provide timely management information.

RECOMMENDATION NO. 2

ESTABLISH AN AUDIT SCHEDULE FOR LOCAL IMPACT COAL BOARD GRANTS.

Response: We concur with the recommendation. The Department will take steps to establish an audit schedule.

LOCAL GOVERNMENT AUDITS

RECOMMENDATION NO. 1

WE RECOMMEND THAT THE DEPARTMENT SEEK LEGISLATIVE AUTHORITY TO EITHER INCREASE THEIR STAFF, INCREASE THE CHARGES FOR THEIR SERVICES OR GIVE THE DIVISION THE AUTHORITY TO CONTRACT DIRECTLY FOR INDEPENDENT AUDITS.

Response: We concur with the recommendation. All three of the alternatives which make up the recommendation have been addressed by the Department in prior legislative sessions. The Department plans, however, to continue to seek legislative authority as recommended to the end that it will be in compliance.

AERONAUTICS DIVISION COMPLIANCE

RECOMMENDATION NO. 1

SEEK LEGISLATION TO RELIEVE THEM OF THE AIRCRAFT REGISTRATION RESPONSIBILITY.

Response: The Department disagrees. We feel that the legislature has accurately recognized that the Aeronautics Division is the appropriate agency to be responsible for the registration of